
COMPETITION IN THE ALBANIAN BANKING MARKET

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Abstract

The objective of This Paper is to analyze competition in the Albanian banking market referring the period 2009-2013. To determine what we have in this market structure, monopolistic competition or oligopoly market structure. If we have an oligopoly form what features it has compared to the classical form of oligopoly and fair competition affects. The period is analyzed coincides with the apparent decline rate of increase of the GDP and the global recession. This objective sought to be achieved by using a set of coefficients that index and provide some degree of concentration of the main indicators of the banking system. So are using CR concentration coefficient, the Herfindahl index of concentration -Hirschman, Hall-Tideman, CCI industrial concentration, the Gini index, etc. Pearson Correlation Coefficient. Through these indices examine the extent of concentration and degree of connectivity between synthetic indicators. The conclusion of the analysis is that the banking market have a special kind of oligopoly and monopolistic competition does not have. This situation is reflected in the volume of loans, deposits to each of them to the total system, the high interest rates on loans and lower deposit. Reactions reflected in Commercial Banks indifferent to the expansionist policy of the Central Bank over the years etc.

Keywords: banking concentration, monopolistic competition, oligopoly, CR concentration index, the Herfindahl index of concentration -Hirschman, Hall-Tideman, CCI, the Gini index, the Pearson correlation coefficient, etc.

Introduction

Today's banking system is relatively new. From 2004 and until today in Albania have Central Bank, as the bank of the first level and 16 Bank, as Commercial Banks. All commercial banks are private. There is no bank with state capital or to be the state as participant. All banks are foreign-owned. Only three of them have local shareholders. Since 2004 the number of banks has decreased.

In the paper are given concepts to market structures. This is done with the intention of comparing the banking market to them in order to determine the similarity of the relevant market. Analyzed the features of the banking market and its products. By doing this analysis we determine that bank market has more features than the oligopolistic market of monopolistic competition. We further analyzed the degree of concentration of leading indicators and their degree of connectivity. Through abusive detailed analysis we concluded that the banking market is not a market of monopolistic competition but is a oligopoly market structure. It is not the domed classical oligopoly but a special type which have dominant market 6 banks and other banks have their trackbacks. Six banks will be dominant if we analyse only them, will have a monopolistic competition market structure, so we had the other banks in the second group. This was proved through indexes that provide the degree of concentration and calculated by us. Trying to have a monopoly market structure, contrary to other authors, Albanian who evaluate the market as monopolistic competition we give a scientific basis Competition Authority to look into the possibility of market intervention. The possibility of intervention is in some areas, in the field of preventing growth of the six group is reflected in the interest rate on loans and deposits, structure and distribution of loans etc. It will be of interest to businesses and Albanian citizens.

Methods and indicators used.

We have used the method of description, comparison, analysis and synthesis, statistical and econometric methods using a set of index coefficients that are put in the service of the material for determining the degree of concentration of the banking market. Financial concentration indicators are used in the material.

CR Index. $CR_k = \sum_{i=1}^k S_i$ Characteristics. Includes participation of largest banks in the banking market. This is a simple method and requires less data compared with other indicators. For this reason it is one of the most frequently used in literature (unique index). Explanation. Index approaches 0 for an infinite number of subjects of the same size and approaches 1 if the larger entities constitute the entire industry. The rate of concentration varies from 0 to 100. Usually used to classify these estimates market:

There is no concentration. 0% means perfect competition or no monopolistic competition. If for example $CR_4=0\%$, the fourth largest firm in the industry will not have any significant market share.

Full concentration. 100% means an extremely concentrated oligopoly. If for example $CR_1=100\%$, we have a monopoly.

Low concentration. 0% to 50%. This category ranges from perfect competition to oligopoly.

Secondary concentration. 50% to 80%. An industry in this range is likely a oligopoly.

High concentration. 80% to 100%. This category ranges from oligopoly to a monopoly.

Herfindahl-Hirschman, HHI. Formula $HHI = \sum_{i=1}^n S_i^2$. Information referred to as full index because it includes complete information for all distribution entities. Stresses the importance of larger entities, and weighted with a higher value smaller units. Explanation. The index is between $1/n$ and 1 reaching low limits when all subjects are the same size, and the upper limit catches in the case of monopoly. Market used to classify these estimates:

HHI index below 0, 01 (or below 100) shows a very competitive market.

HHI index less than 0, 15 (or 1, 500) indicates a non-concentrated market.

HHI index between 0, 15 to 0, 25 (or 1500 and 2500) shows a moderate concentration.

HHI index over 0, 25 (2500) shows that we have a high concentration.

Hall-Tideman, HTI. Formula $HTI = 1/(2 \sum_{i=1}^n i s_i - 1)$. Characteristics. Stresses the need to include the number of subjects that reflect competition in the market; a small number of entities representing the harsh conditions of entry into the banking industry and the opposite for a larger number of subjects. The market share of each company is weighted by its ranking.

Index tends 0 for an infinite number of subjects with equal size, and become the first in the case of monopoly.

Industrial concentration, CCI. $CCI = s_i + \sum_{i=2}^n s_i^2 (1 + (1 - s_i))$. This indicator combines the features of the index relative and absolute magnitude distribution. Give us the amount of participation of companies with larger shares to the leveling of subjects, weighted by a coefficient that reflects the proportionate size of the rest of the industry. The index is 1 in case of monopoly and is great in the case of participation of major banks in an industry with a large number of banking entities.

$$\text{Pearson coefficient formula. } r = \frac{n(\sum xy) - (\sum x)(\sum y)}{\sqrt{[n \sum x^2 - (\sum x)^2][n \sum y^2 - (\sum y)^2]}}$$

Numerically, the Pearson coefficient is represented in the same way as a correlation coefficient used in a linear regression; ranging from -1 to +1. Value + 1 is the result of a perfect positive relationship between two or more variables. On the other hand, a value of -1 represents a perfect negative relationship. Pearson coefficient may have a small mistake when he used a non-linear equation.

Gini correlation coefficient. Ranging from 1 to 100. As is so close to one of lower concentration is much greater and the higher the concentration.

Purpose. The purpose of this study is to make a detailed analysis of the banking market concentration. Determine its structure. Market structure is monopolistic competition and oligopoly market structure. By determining the type of market we give more opportunities to apply the Competition Authority and its rights in the business market and consumer protection in Albania.

Discussion

Competition and market structures.

A) Pure competitive market. In general, a perfectly competitive market exists when every participant is "price acceptable", and no participant influences the price of the product it sells or buys. In the specific characteristics of this market without addressing to them may include:

1. Buyers and sellers are in an unlimited number.

2. There is no barrier to entry or exit from the market.
3. Factors of production have perfect mobility.
4. Consumers and sellers have perfect information.
5. No transaction costs.
6. Their goal is profit maximization.
7. Sellers offers homogeneous products.
8. Do not have the income scale upward.
9. Royalties.
10. Envisaged rational buyer.
11. Not taken into account any externalities.

B) Monopoly. In this structure there is a single firm that produces and sells all product branch. The product has no close substitutes. In the specific characteristics of this market without addressing them may include:

1. It is profit Maximizer. Maximizes profit.
2. It is Price decisive. It Puts the price of goods and services it sells. This makes determining the price of the desired amount.
3. Has major obstacles to entry. Many dealers are unable to access market monopoly.
4. Has only one seller.
5. It's Price Discriminator. It sells more quantities by reducing the price for a product in a very elastic market and sells less quantities higher price in a less elastic market.

C) Monopolistic competition. Monopolistic competition is a form of imperfect competition and corresponds to a situation in which there are many companies in the market that offer products or services not completely homogeneous and therefore not entirely substitutable. In such a situation, each firm has some market power to influence the price of its products or services. In fact, they have specific products, differentiated products by competitors, each firm acts as a monopoly small. Proximity bigger or smaller monopoly depends on the existing differentiation between different products offered. If the replacement rate is low, the competition will be smaller and closer competition is monopoly. If the replacement rate is high, competition will be reduced and the market will be closer to pure competition. In the specific characteristics of this market without addressing them may include:

1. Existence of a large number of firms: In monopolistic competition operate a large number of small firms each of which is relatively small compared with the overall market size. This ensures that all firms are relatively competitive with very little control over market price or quantity. These firms do not produce perfect substitutes, but the products are close substitutes for each other.
2. Goods similar but not identical. Each firm in this market sells a similar product with another product. The term used to describe this is the product differentiation. Product differentiation is the cause that gives features monopolistic competition monopoly negative sloping demand curve. Various firms in monopolistic competition produce differentiated products which are relatively close substitutes for each other, in this way, their prices can not be very different from each other. Various firms in monopolistic competition compete with each other if similar products are substitutes and close to each other.

Differentiation is done through real or natural materials used, design, color, size, shape, conditions of sale, location of the shop, the attitude towards the product, customer behavior etc.

Differences between products generally fall into three categories: the physical aspect, the perceived, and support services.

- a. Physical differentiation: This means that a firm's product is physically different from other product firms.
- b. The difference in perception: Product differentiation can also result from differences in perception by buyers, although there are actual physical changes.
- c. Supporting differentiated services: This feature means that each firm in monopolistic competition produces a good that is near, but not a perfect substitute for the good produced by any other firm in the market.
3. Relative freedom of entry and exit out of the branch: In monopolistic competition is easier for new firms to enter the branch alongside existing firms, while it is also easy to come by this branch.
4. Extensive knowledge: In monopolistic competition, buyers do not know everything, but they have relatively complete information about alternative prices.
5. Several influential on the price: If the products are close substitutes, lowering the price of a product from a vendor will attract some of the customers of other products. And with a price drop quantity demanded will increase. This means that the demand curve of a firm in monopolistic competition is the negative slope and lie down its marginal revenue.
6. Lack of interdependence of firms: In monopolistic competition each firm operates more or less independently. Each firm formulates its own policy prices - production, its cost and demand.
7. Competition not only by price: Advertising is an outstanding example of competition not only with the price side.

D) Oligopoly. Oligopoly market structure mean that the market in which they operate a limited number of powerful firms that offer the greatest product in the market. The question is how firms make up the oligopoly? In oligopoly part as well as the latest firm size is able to affect the price. Some definitions of the concept of oligopoly.

"Oligopoly represents such a structure of a market economy, in which production and supply of a product is concentrated in a small number of companies." "Oligopoly, a situation where the rule less commercial vendor and other vendors entry in the same market is difficult or costly"

"Oligopoly, a market where some dealers have a monopoly of supply." "Oligopoly. Market which is dominated by a few powerful companies. " "Is a kind of oligopoly market structure in which a small number of firms carry the bulk of industrial production." "Oligopoly is a market structure in which a few firms sell standardized products or differentiated. In this difficult strukturë entry and firms have restrictions on price control because they do subordinate intermediate and not through price competition. " "Oligopoly, a situation of imperfect competition in the industry in ETE cilëbn dominate a Muner small firms". "Oligopoly, market structure characterized by a relatively small number of firms that provide all market production. Oligopoly is similar to monopoly but has two or more firms ". " Oligopoly is a market situation where a small number of control subjects bid in the market for a given good or service, and therefore, are able to control the market price . An oligopoly can be perfect when all subjects produce the same good or service and imperfect when each subject produces a product different from others, but like them. Since each entity recognizes an oligopoly market share, attributable to the product or service produced by him, any change in price or in its market share in sales reflected the others, so we have a tendency of interdependence between Entities. Everyone must make his own decisions about the price and production support in the decisions of oligopoly entities other status. thus oligopoly prices, as placed, are solid. This promotes competition through advertising, packaging and service, a form generally unproductive resource allocation. "

The existence of a limited number of firms in the market makes them have commercial power and generate depending on the decisions of firms

Characteristics of oligopoly

Few sellers. In oligopoly market structure have less powerful firms. Each firm produces certain parts regarding total production branch. Small number of sellers who will constitute the oligopoly market structure depends on the size of the market. So there is strong competition between these firms.

The nature of the product. Products sold by firms in this market can be homogeneous or differentiated. When firms sell homogeneous products they are known as pure oligopoly. When they sell differentiated products oligopoly they are known as clean or not differentiated oligopoly.

Interdependence between firms. This characteristic of oligopoly is distinguished from other forms of market structures. Because there are few sellers in the market, each acting according to the movement of rival retailers.

Difficulties entering and leaving the branch. Oligopolistic market can be characterized by strong barriers to entry to other firms. Some entry barriers are common in economies of scale, absolute cost advantage for older firms, the threat of price reductions, control over important materials, patents and licensing.

Competition among firms. Competition can not consist of perfect competition conditions where there is no war because it is very quiet and strict distribution determined price.

2. Difficulty in running the firm.

Have full knowledge and gjithëanëshme for prices, technology, organization of markets, etc..

Firms in oligopoly prices are often characterized by hardened and unchanged for years. This price solidification express their dependence on each other. Its growth is not reflected in one another.

Competing with other ways besides through price competition. Most common ways are product differentiation, advertising and entry barriers.

Government restrictions. Sometimes governments operate with severe barriers to entry of new firms. They prevent the entry of new firms from licensing, patents, etc. quotas. So the market will operate only a few powerful firms. In the case of banks Central Bank sets limits.

3. Banking market and some of its features.

Albanian banks market dynamics from 1991 to today. Until 1992, the banking system has been a layered. In 1992 began the reform of banking system restructuring. Reform the system has gone through several stages.

= 1992-1997. In this period of time have ruled entirely state-owned banks that dominate 90% of deposits. This period was characterized leisurely a very low level of lending to the economy due to the currency outside banks was such mivele. In 1997 the Savings Bank was established.

= 1998-2003. In 1998 both went bankrupt state-owned banks. BTA was absorbs from NCB and NCB itself was privatized in 1999. Was privatized in 2003 the Savings Bank. Savings banks owned about 52% of the market value of assets, 56% deposit and only 1% of the bank loan market. Most of its assets invested in financial assets by government owned about 80% of the market treasury bills. During this period, the number of second-tier banks and added seven new private banks. During these years the banking system was expanded and increased volume of loans.

= 2004 onwards banking system is completely private. During these years are also licensed two other banks. Their total number today is 16 with about 530 branches and agencies scattered across the country.

Some of the more general banking market. The banking market is part of the financial market. It has the features and characteristics of the branch that generally determined by the characteristics of banking products, the sellers and buyers, the ease of entry and exit in the branches, knowledge of costs and prices of products etc. Initially, we explain the term "product" banking. Product term will determine the inclusion of services in the general category. Among the products and services has many changes that deserve attention in their explanation. Services are essentially no tangible activities that ensure the fulfillment of requirements and that it is not necessary to be associated with the sale of a product or service to another. Health care, private education, transport, communications and professional services are examples of industrial services. Characteristics of banking services can define as follows:

Are no tangible

Are inseparable

Are not homogeneous but not heterogeneous

Are subtle, and ever changing requirement

Services are not tangible. Since services can not be seen, be operated, tested, affected by different experiences or feel. For all is more necessary to emphasize the provision of earnings from these services.

Services are inseparable. In general it is impossible to separate the product and the service is consumed.

Services are not completely homogeneous. It is not possible to have the exact same standard of service in every office and in every moment. It is very easy to mass produce products that are standardized. It is difficult to standardize banking services. So it is very important for the bank or other service companies to pay particular attention to sales and product knowledge training and standardization of the final operations of services in order to ensure high quality. Therefore we

consider banking services not homogeneous but not heterogeneous. Service credit is the same in all banks. All banks make short term loans, medium and long term, and provide home mortgage loans without collateral, lend differentiated for students or businesses. Change in general interest rate and in the manner of disbursement. The same can be said for deposits, are short-term, and long afatnesëm. Interest rates vary from. Even here we have differences because deposits for children and different payment terms. Regarding market assets banks buy government debt instruments generally. It's the same active buying all. Interest rate changes only. In general we can say that the services are similar. They meet every buyer the same application, the need for money.

Fluktacioni delicacy and demand. Sometimes services are very delicate since they can not be saved. For example, when cashiers are tired can not be used as extension services on special days of the week when long queues formed.

The combination of delicacy and fluktacioni products are stirring demand for employees in the planning process of product, price, promotion and distribution in the area of the bank.

Regarding demand fluktacionit characteristic is the fact that the decision in purchasing banking services becomes unique. Banking may not include repeat sales for many consumer products. If consumers do not buy a kind of paste this month they can buy it next month. Banks have no chance to reach the client. Finally the introduction of ATMs for payment has facilitated the routine work of bank employees.

The size and distribution of banks. The structure of the banking industry directly affects the competitiveness of the banking enterprise markets. How much higher is the competition are lower interest rates on loans and the higher interest rates are for deposits. In the banking market have a dypol banks. 6 strong bank that is one pole and 10 small banks is another pole. Few of these banks extend their activities across the territory of Albania.

Entry in the banking industry. Adjustments on the matter relating to the promotion or restriction of entry, resulting in increasing or restricting competition. If the monopolistic market structure, there is no restriction on access to or exit from the branch, there are limitations in the banking market. This is because each commercial bank to be established must meet a set of conditions and then licensed by the Bank of Albania.

Entry into banking market is regulated by the Law "On Banks in the Republic of Albania" and bylaws, which are issued pursuant to this Law, the regulations for the licensing of banks. Licensing and monitoring authority is the Bank of Albania. The main objective of the Bank of Albania is to provide a greater alignment with international standards and criteria. The policy of the Bank of Albania for licensing can be assessed as relatively liberal and non-discriminatory. From 1990 to 1999 the banking system was added 11 new banks. The Bank of Albania has the right of final decision for approval or rejection of applications for opening new banks. The decision is not appealable bank. The main requirements for opening a bank are:

- Capital and its origins;
 - Professional competencies and personality future administrators of the bank;
 - Shapes bank organization and rules for its administration and operation;
- Business-plan and its adaptability.

These requirements are the same as for domestic banks as well as foreign ones, including a branch of a foreign bank.

Albanian legislation makes no distinction between resident and non-resident applicants. They comes treated equally. In these circumstances it is difficult to access the banking system. There is as monopolistic competition that anyone can enter. Here have big capital and expertise, along with a well-crafted plan.

Offset of banks expands competition and therefore increases the quality of bank services. In the Banking market In Albania nowadays operate about 530 bank branches and agencies.

Bank merger or absorption is another regulation of the banking structure. Approval of absorption of a single bank takes into account two factors: the financial condition of banks and the level of competition. In the process of absorption of a bank being liquidated and absorbed by another bank, it is important to remember that after absorbing low level of competition and in some cases may create monopoly position. In Albania we have four such cases but have not brought the change of the structure of the banking market.

Offer and its characteristics in the banking market. Represented by 16 banks offer their services. There are the same size. The two largest banks hold 45.53% of assets and three largest banks hold 56% of them. A bank has less than 5 million worth of assets, two banks have from 5-15 million and 13 others have over 15 million. Have common procedures of

establishing liability. They accept deposits from different economic entities. Banks make loans and buy denominated financial assets, euros and dollars. Term loans and offer different interest rates. Buy the same financial asset, sovereign debt instruments (Treasury Bills).

Demand and its characteristics in the banking market. Demand for loans. Demand for credit is represented by economic entities, business or individual to obtain credit or loans. Demand for sale financial assets. The main applicant seeking to sell financial assets (debt instruments) is the state with treasury bills and bonds. If bank customers that create liabilities are any individuals and businesses, bank customers seeking loans in the form of loan or the sale of assets are separate.

If we analyze the relationship between these two indicators will look that has a moderately strong positive sense. The correlation coefficient is +0.7033. Normally the connection between them should be negative because the reduction of the interest rate will reduce interest rates on loans, making them more palatable. In this way would increase the money in circulation causing rising inflation. In fact the opposite has happened. Both are sitting. This further shows the complete lack of effect of monetary policy transmission commercial banks. This can be seen from the chart below.

Second, we did not follow transmission effect on the interest rate of loans and deposits in the same way.

The correlation coefficient between the repo and 1-year deposit rate is 0.95. This coefficient shows that decreases the repo rate is reflected in a nearly full deposit rate. Transmission effect was complete. There was complete because its reduction is in the interest of commercial banks and not in the interest of depositors.

The correlation coefficient between the interest rate of 1-3 year loans and repo is only 0.74%. This shows that we have a strong and reliable. The data are presented in table and chart below:

The graph and table no.2 data shows that the difference between the rates of loans and deposits has increased. This has occurred by monitoring the effect of deformed repo in commercial banks. In this case you are injured depositors lower interest rates on deposits and loans credit rates have not changed much compared with declining deposit rates. Because banks have gained increased spread between interest rates.

Third, has negatively affected the distribution of assets in terms of lending and investment in instrumented debt (Treasury bills). Decreased the percentage of credit and increased the proportion of investment in treasury bills. Transmission effect has not been very positive in terms of increasing the stock of loans as a result of the fall of the stated interest rates. Most to this action, lowering the repo rate has benefited government than business. Here crowding out effect which clearly shows Table No.4. The data presented in the table below.

The data clearly shows that deposits grew by 43.5% while only 24.5% loans. The difference between deposits and loans almost doubled. Stock appreciation has gone into buying government debt instruments as well as a currency is invested outside the territory of Albania. Loans to deposit ratio has been decreased. This is clearly seen from the chart below.

These three indicators show clearly the situation of the Albanian banking market concentration. Such a situation can not be in a monopolistic market structure but can only be a pure oligopoly or not clean.

Measurement of market concentration in the banking sector.

The volume of deposits and loans in absolute ALL has increased. Growth is also in the ratio between loans and deposits by 38.1% in 2009 to 44.5% in 2014. If we take the degree of connectivity in the last 4 years of the loan / deposit ratio in % and interest rates show that is only 0.460. This correlation coefficient indicates that there is a weak link between credit and growth rates of loans to deposits. This means that the effect of transmission is not fully conveyed in increasing the percentage of loans to deposits in domestic currency. If we compare this table with data table 4 look at the total loan to deposit ratio decreased, ALL credit to deposit ratio has increased. This means that the business is paying increasing attention in domestic credit, but the figures remain very low. Only 44.2% of deposits have gone credit while the rest went towards financial assets.

The degree of concentration of bank loans is about 82% which means that we try to oligopoly and monopoly. With 69.7% concentration limits are still branches of oligopoly. HHI, CCI and Htke indicate moderate. If we assume that 86% of loans, deposits and profits will have one bank and 14% will have other banks will result 0.322 coefficient we would call a real monopoly structure. If we clean then the market would be 0.067. HHI and Htke situation is between pure market and monopoly, 0.146 and 0.134. If the group the six as a separate bank and 10 other pole as the other pole would then have a genuinely political oligopoly where the bank is seen with 6 steering and second with ten others will be satellites. Within each group, each pole have monopolistic market. Only this differentiation, the two poles of the structure reveals the truth of this market. Largest banks have 82% of loans and others have 18%.

3.2 Measuring the concentration of deposits

Deposits have increased. 2014 compared to 2009 they increased by 140%. All deposits for this period increased by only 133%. Dynamics of total deposits in domestic currency and is given in Table. 5. From the table we see that the decrease of deposits to total deposits. By occupying 55.7% in 2009 to total deposits in 2014 they accounted for only 52%.

Profit is one of the more synthetic indicators for the outcome of all the activity of an enterprise. The data show that six largest banks receives 96.6% of its HHI and HTI have maximum numbers, so the CCI. This indicator gives the most significant degree of concentration of commercial banking system. It is very important to mention here that the reduction of interest rate by the Bank of Albania is associated with a decline in domestic interest rates, and is not associated with changing loan rates by increasing the difference between them. In this way they have increased their profits. Banks that have stocks of Lek's refusal loan businesses use to purchase treasury bonds. Increasing the stock of available appreciation has led to significantly lower their cost. So from these actions the bank has won government since decreased its cost of debt and lost business who is credited less in the last year.

In table 11 we have given the extent of links between the above indicators. The data shows that the indicators have a high degree type connection. This statement supports the conclusions we have reached above the level of concentration of loans, deposits and profits.

Conclusions and Recommendations

Banking market structure is oligopoly. Indicators that we analyzed show that their concentration level is high. The situation of the banking market dominance has caused some negative consequences.

Has reduced the effectiveness of monetary policy of the Bank of Albania in the field of transmission the effect of interest rate. There have pursued policies BOA but the interest rates are set according to their policies and interests. So based on interest rates, which have decreased from 6.25% in 2009 to 2.5% in May 2014 are not associated with declining interest rates in domestic credit. They have remained high while quotas are cut deposits rates. In this way, the financing of the economy remains costly.

Reduced effectiveness of the transmission mechanism of decisions on the economy and is hampering implementation faster pace of indirect instruments of monetary policy. Lowering key interest rates is not accompanied by increased inflation rate but is associated with decreased it. In this regard, the Bank of Albania has lost its control over the monetary market. This not only of concentration but also on the traffic in the form of deposits and loans of the euro dollar.

They kept high costs of providing services to customers, not only high rates of loans and deposits lower commissions but also banking and other services.

Recommended to gradually decrease the amount of credit in euros and dollars.

Establish a wholly-owned agricultural bank in the state so that it can allow transmission effect.

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Tables and figures

Table No. 1 Correlation between inflation rate and basic interest rate

Years	2009	2010	2011	2012	2013	2014
The REPO rate%	5.25	5	4.75	4	3	2.75
Ave. inflation rate %	2.28	3.56	3.45	2.04	1.94	1.8

Fig. No. 1 Relationship between the inflation rate and the REPO rate



Table No.2 dynamics loan interest rates from 1 to 3 years old and 1-year deposit rate. The difference between them in proportion.

Years	2009	2010	2011	2012	2013	2014
The REPO rate, %	5.25	5	4.75	4	3	2.75
1 year deposite rate %	6.78	6.4	5.78	5.38	4.17	2.46
1-3 years deposite rates %	15.75	15.68	13.45	14.35	13.99	12.93

The rate of credit-deposit rate 8.97 9.28 7.67 8.97 9.82 10.47

Fig. No. 2 Dynamics and the difference between the loan rate and the 1-3 year deposit interest rate 1 year.

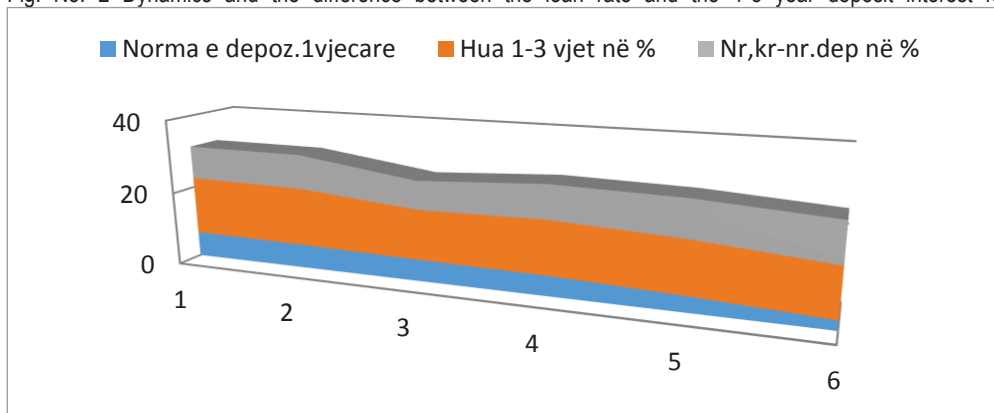


Table no. 3 Dynamics of loans and total deposits (currency, euros and dollars) expressed in billion and percentage

Years	Deposits	Loans	Dep-Loans(bili)	Loa/Dep %
2009	662.4	440.4	222	66.5
2010	785.2	483.1	302.1	61.5
2011	875.2	541.9	333.3	61.9
2012	930.7	554.7	376	59.6
2013	950.1	547.9	402.2	57.7

Fig. No.3 dynamics rate loan / deposit 2009-2013

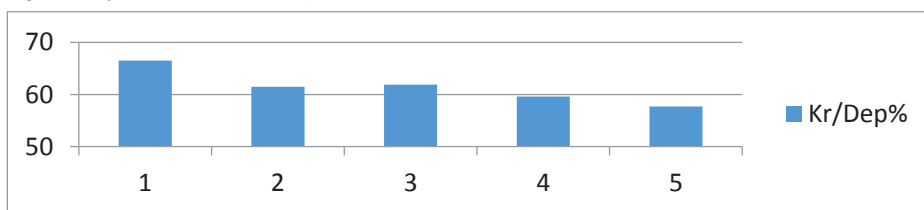
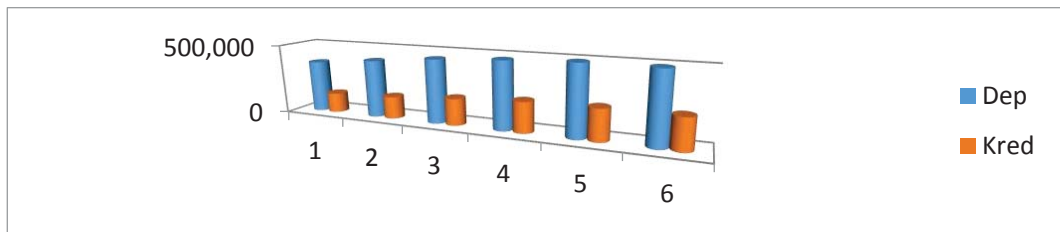


Table no. 4 Dynamics of deposits and loans in domestic currency. The loan to deposit ratio in percentage.

Years	Deposits	Loans	Loans/deposits %
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2009	369, 137	140, 479	38.1
2010	409, 458	157, 197	38.4
2011	452, 080	188, 788	41.8
2012	476, 872	215, 122	45.1
2013	494, 279	219, 933	44.5
2014(II)	493, 322	218, 047	44.2

Fig. No. 4 Dynamics of deposits and loans in domestic

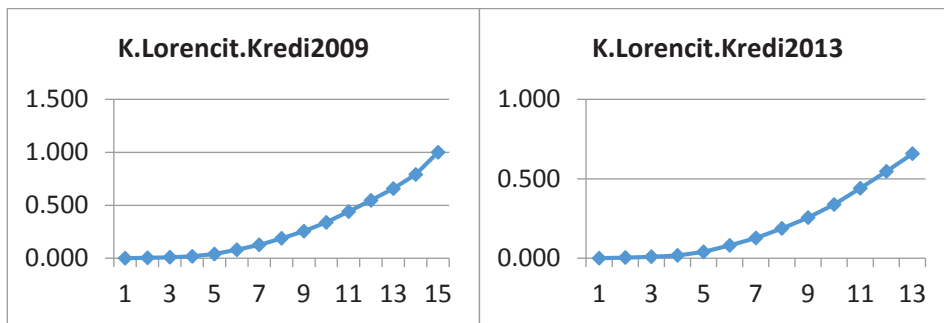


Concentration Gini coefficient for all loans to banks is as follows:

Table No.5 Gini coefficient for loans

2009	0.465
2010	0.490
2011	0.490
2012	0.484
2013	0.487

Fig.Nr .5 Lorenz Curve 2009 and Curve 2013 Lorentz



The Gini coefficient for loans is at a moderate level, around 50. This figure speaks for monopolistic competition but to attempt to oligopoly. Group other indicators given in Table no. 6.

Table No.6. Group 4 and 6 indicators for banks

Years	CR6K	CR4K	CR6branch	CR4branch	HHik	HTik	CCI loans
2009	61	55.95	73.37	59.0	0.1199	0.1305	0.3544

2010	79.4	62.4	74.4	60.7	0.1313	0.1402	0.3793
2011	79.9	64.2	76.2	59.3	0.1385	0.1445	0.3933
2012	75.3	60	70.3	53.4	0.1241	0.1290	0.3654
2013	81.9	65.9	69.7	53.0	0.1348	0.1416	0.3851

Table no. 7 Dynamics of total deposits and currency

Yars	Total Deposits	ALL Deposits	%
2009	662.4	369.1	55.7
2010	785.2	409.4	52.1
2011	875.2	452	51.6
2012	930.7	476.9	51.2
2013	950.1	494.3	52
2014(II)	946	493.3	52.1

Fig.Nr. 6 Dynamics of deposits and currency.

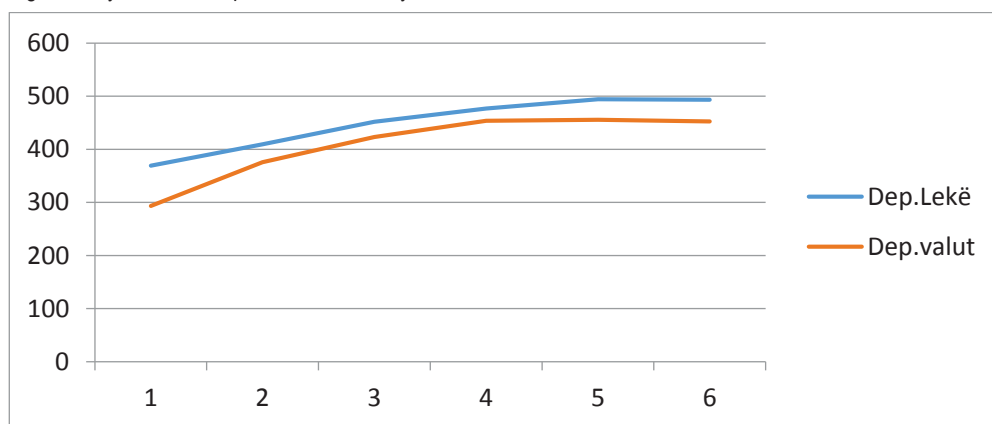


Table no. 8 Indicators synthetic deposits

Years	CR6D	CR4D	HHId	HTId	CCIdep
2009	81.8	68.1	0.1631	0.1623	0.4363
2010	87.6	72	0.1706	0.1701	0.4486
2011	86.3	72.7	0.1788	0.1745	0.4611
2012	81.2	67.4	0.1558	0.1508	0.4233

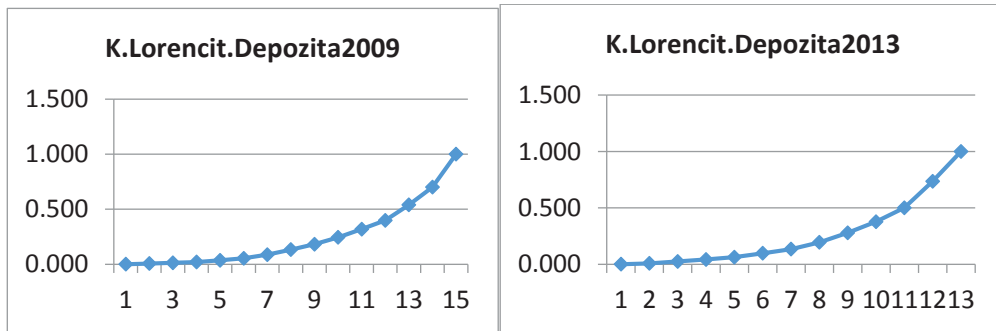
2013	86.6	72.1	0.1568	0.1583	0.4231
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Concentration of synthetic indicators deposits are clearly at high levels belonging to more than the oligopoly structure of monopolistic competition. The Gini coefficient for deposits given in the table below. The data show that this ratio is high. Even we focus on this item. If we analyze two poles then most people have two much softer coefficients 0.242 and 0.319.

Table no. 9 Gini coefficient for deposits

2009	0.563
2010	0.576
2011	0.59
2012	0.543
2013	0.544

Fig.Nr 7 Lorenz Curve 2009 and Curve deposits deposits Lorentz 2013



The conclusion is simple currency deposits have focus where six largest banks have 86.6 deposits, HHI and HTI are over 1500.

Table no. 10 synthetic indicator of profit

Years	CRF4	CRF6	HHIProfit	HTIprofit	CCIprofit
2009	70.9	95.3	0.2611	0.2505	0.5665
2010	89.9	96.5	0.2599	0.2618	0.5730
2011	78.6	95.9	0.2557	0.2546	0.5619
2012	84.8	92.9	0.3332	0.3232	0.6575
2013	92.0	96.6	0.3136	0.3168	0.6523

Table no. 11 Tabela the Pearson correlation coefficient for the six largest banks.

	CR6 D+Ag j	CR 6D	CR 6K	HH ld	HT ld	HH lk	HT lk	HHI profi t	HTI profi t	CCI dep	CC l loa ns	CC l pro fit	Gin i Lo ans	Gini. Dep
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CR6 D+Ag j	1	0.0 56 7	0.7 14 6	0.1 36 5	0.2 98 8	0.4 51 8	0.1 48 3	0.66 06	0.69 89	- 0.1 811	0.4 94 0	0.6 42 2	0.7 13 0	- 0.25 51
CR6 D	1		0.7 30 0	0.5 34 3	0.6 69 6	0.8 44 1	0.9 32 0	- 0.37 94	- 0.21 05	0.4 996	0.8 38 3	- 0.2 57 8	0.7 06 1	0.47 48
CR6K			1	0.1 95 8	0.1 94 4	0.8 56 5	0.7 13 5	0.24 55	0.39 21	0.1 426	0.8 78 8	0.3 23 3	0.9 72 8	0.07 54
HHId				1	0.9 61 6	0.5 20 4	0.6 05 7	- 0.83 38	- 0.78 64	0.9 976	0.5 36 4	- 0.8 33 4	0.3 29 8	0.99 12
HTId						0.5 49 3	0.7 02 0	- 0.89 69	- 0.82 33	0.9 585	0.5 48 9	- 0.8 60 4	0.2 90 0	0.96 27
HHIk						1	0.9 48 3	- 0.14 84	0.00 21	0.4 630	0.9 96 6	0.0 58 2	0.8 18 8	0.41 62
HTIk							1	- 0.38 29	- 0.22 56	0.5 580	0.9 30 0	- 0.2 72 6	0.6 70 2	0.53 17
HHIpr ofit								1	0.98 42	- 0.8 564	0.1 36 5	0.9 88 1	0.1 44 6	- 0.89 28
HTIpr ofit									1	- 0.8 171	0.0 11 5	0.9 96 4	0.2 77 2	- 0.85 93
CCId ep										1	0.4 80 3	- 0.8 61 6	0.2 85 4	0.99 69
CCIIo ansi											1	- 0.0 53 4	0.8 56 4	0.42 95

CClpr ofitm												1	0.1 99 3	- 0.89 80
Gini.L oans													1	0.21 54
Gini. Dep														1